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JUN 23 1998

ANNUAL REPORT

FOR THE YEAR ENDED MARCH 31, 1997



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Communications and Industry Relations
Alberta Gaming and Liquor Commission
50 Corriveau Avenue
St. Albert, Alberta T8N 3T5

Telephone (403) 447-8740
Fax (403) 447-8908

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ALBERTA
MINISTER OF ECONOMIC DEVELOPMENT

January, 1998

The Honourable Ken Kowalski
Office of the Speaker
Legislative Assembly of Alberta

Sir:

I have the honour to submit the Annual Report of the Alberta Gaming and Liquor Commission for the year ended March 31, 1997.

Respectfully submitted,

A handwritten signature in cursive script, reading "Patricia L. Black".

Patricia L. Black
Minister Responsible for the
Alberta Gaming and Liquor Commission



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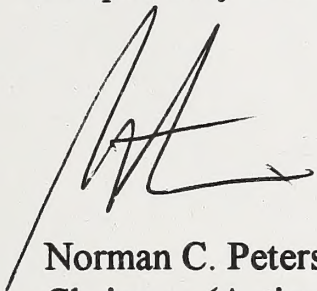
January, 1998

Honourable Patricia L. Black
Minister of Economic Development
425 Legislature Building
Edmonton, Alberta T5K 2B6

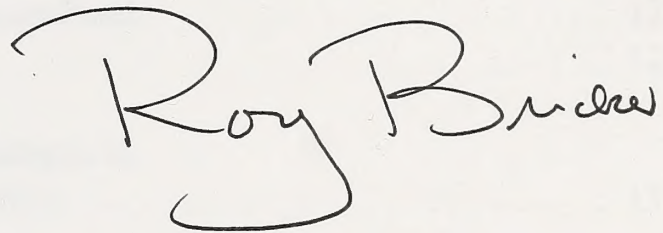
Madam:

We have the honour to submit the Annual Report of the Alberta Gaming and Liquor Commission for the year ended March 31, 1997, pursuant to Section 30 of the Gaming and Liquor Act.

Respectfully submitted,



Norman C. Peterson
Chairman (Acting)



Roy Bricker
Chief Executive Officer (Acting)

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ORGANIZATIONAL PROFILE

The Alberta Gaming and Liquor Commission is an agent of the Government of Alberta and consists of a Board and a Corporation.

The Board is responsible for ensuring that the powers and duties of the Corporation are appropriately carried out; establishing the policies of the Corporation; and, conducting hearings and making decisions respecting licences and registration.

The Corporation consists of administrative and operational divisions responsible for the day-to-day functioning of the Corporation.

The mission of the Alberta Gaming and Liquor Commission is to maintain the integrity of gaming and liquor activities in Alberta and collect revenues for the province.

The Alberta Gaming and Liquor Commission's mandate, in accordance with the Gaming and Liquor Act, the Criminal Code (Canada) and within the policy framework established by government, includes the following:

- licence, regulate and monitor gaming and liquor activities in Alberta;
- define operating policies and procedures for gaming and liquor activities;
- ensure integrity and social responsibility in the operation of gaming and liquor activities;
- collect gaming and liquor revenue;
- ensure business and program operations are run efficiently and effectively;

- disperse provincial lottery revenues;
- support industry and government initiatives to address problem gambling and responsible alcohol consumption;
- communicate to gaming and liquor stakeholders accurate and timely information.

The Commission also administers the Lottery Fund, established under the Interprovincial Lottery Act.

YEAR IN REVIEW

LEGISLATION

The Alberta Gaming and Liquor Commission was established under the Gaming and Liquor Act, proclaimed on July 15, 1996. The entities previously known as the Alberta Liquor Control Board, Alberta Lotteries, Alberta Lotteries and Gaming, the Gaming Control Branch and the Alberta Gaming Commission were consolidated under the Alberta Gaming and Liquor Commission.

WESTERN CANADA LOTTERY CORPORATION

On October 19, 1995, the Government of Alberta exercised an option to withdraw from the Western Canada Lottery Corporation (WCLC), providing a one-year written notice to withdraw in November 1996. Negotiations continued with WCLC the following fiscal year on financial and governance issues. These issues were resolved in May 1997. As a result, the Province of Alberta has rescinded its notice to withdraw from the WCLC.

TICKET LOTTERY OPERATIONS

There were 1,896 ticket lottery retailers with 1,912 terminals at March 31, 1997.

VIDEO LOTTERY OPERATIONS

The AGLC has maintained a cap of 6,000 video lottery terminals (VLTs) and set the maximum number of VLTs per licensee at seven. The phase-out of VLTs in multiple licensed facilities will be completed within four years. At March 31, 1997, there were 1,221 VLT retailers with a total of 5,866 VLTs.

CASINO GAMING TERMINALS

There were 615 casino gaming terminals operated in casinos across the province as at March 31, 1997. Non-profit charitable organizations share in the revenues generated by these casino gaming terminals.

In November, 1996 the Alberta Gaming and Liquor Commission, in partnership with the Alberta Racing Corporation and Edmonton Northlands, introduced 150 casino gaming terminals and a Sega race game to Northlands Park as part of an initiative to revitalize the Alberta horse racing industry.

WAREHOUSING AND DISTRIBUTION

The AGLC appointed two warehouseurs for liquor warehousing and distribution services in the province of Alberta, effective May 1, 1997.

The appointment of two warehouseurs allows warehousing and distribution of liquor products to develop in a free market environment. Warehousing and distribution rates for liquor products will, effective the date of appointment of these warehouseurs as an agent of the Board, be set by the warehouseurs.

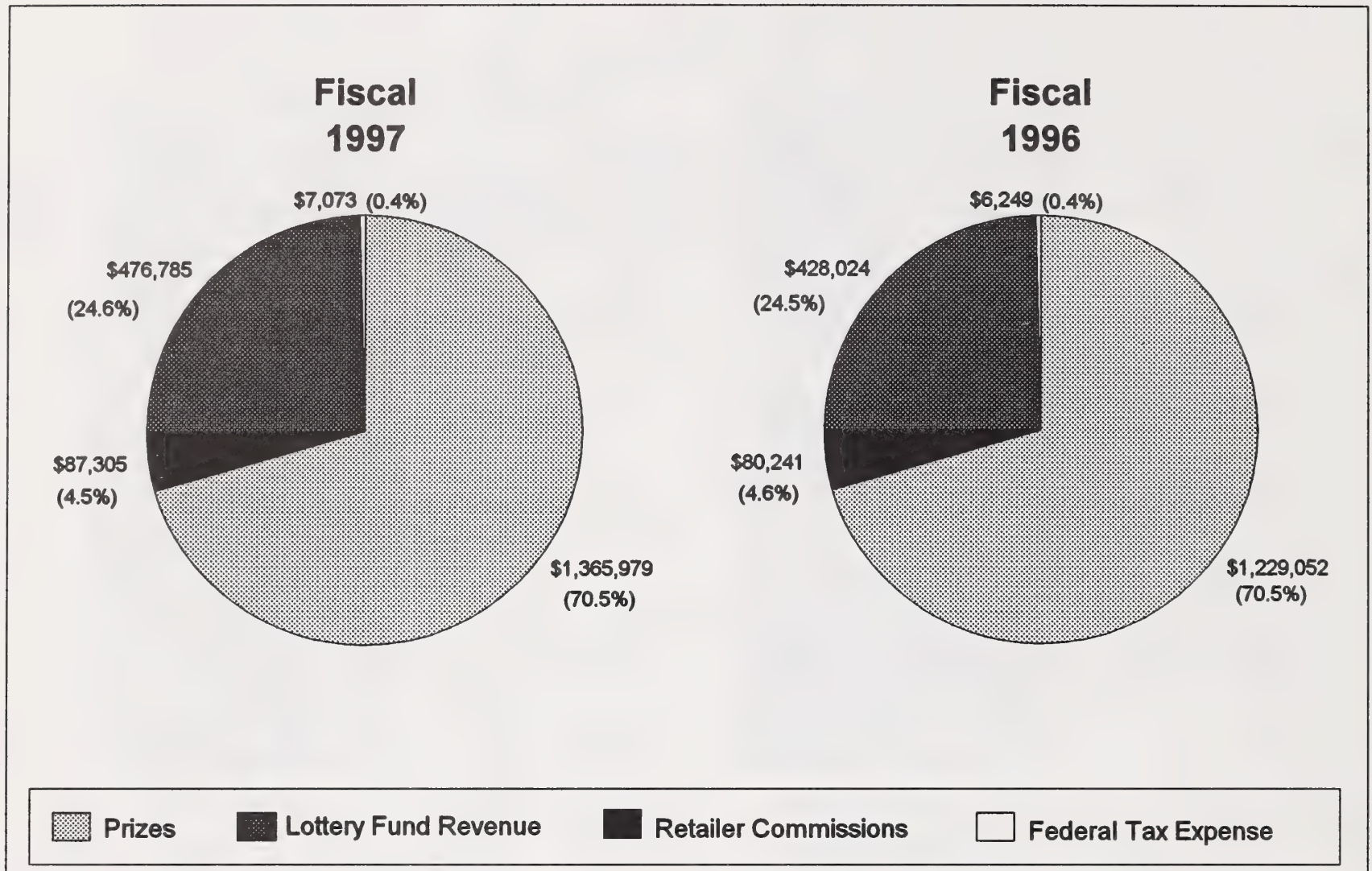
LOTTERIES AND GAMING HIGHLIGHTS

as at March 31, 1997

	<u>Number of Video Lottery Terminals</u>	<u>Number of Video Lottery Terminal Locations</u>	<u>Number of Casino Gaming Terminals</u>	<u>Number of Charitable Casinos</u>	<u>Number of Ticket Lottery Terminals</u>	<u>Number of Ticket Lottery Locations</u>	<u>Number of Bingo Associations</u>
Calgary	1,220	258	200	5	513	507	13
Edmonton	1,158	230	200	4	464	456	17
Other Cities	1,119	213	365	8	270	269	17
Towns	1,626	336	-	-	446	446	10
Other Communities	<u>743</u>	<u>184</u>	<u>-</u>	<u>-</u>	<u>219</u>	<u>218</u>	<u>5</u>
	<u>5,866</u>	<u>1,221</u>	<u>765</u>	<u>17</u>	<u>1,912</u>	<u>1,896</u>	<u>62</u>

VIDEO LOTTERY AND CASINO GAMING TERMINAL REVENUES

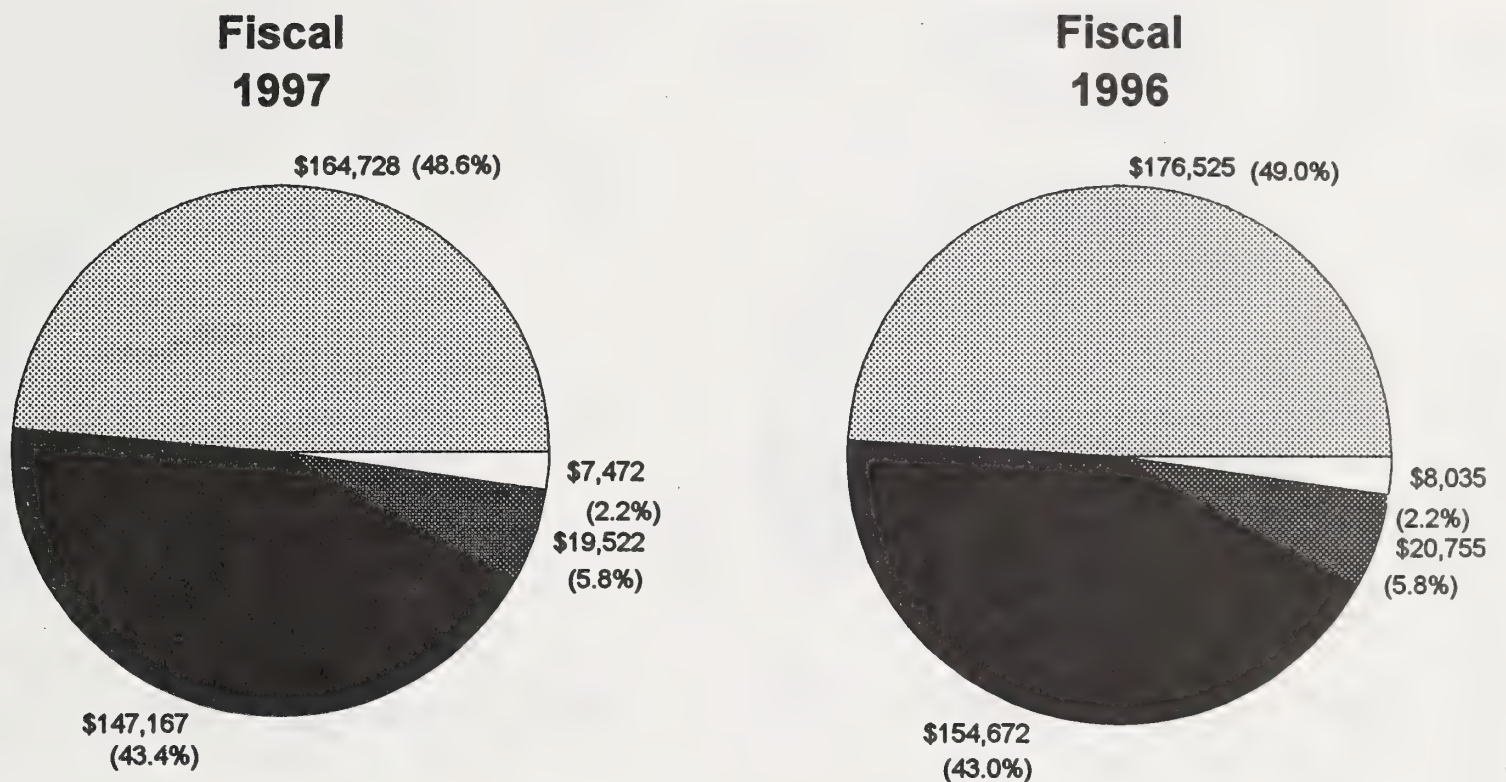
(dollars in thousands)



	<u>1997</u>		<u>1996</u>	
	\$	%	\$	%
Prizes	1,365,979	70.5	1,229,052	70.5
Lottery Fund Revenues	476,785	24.6	428,024	24.5
Retailer Commissions	87,305	4.5	80,241	4.6
Federal Tax Expense	7,073	0.4	6,249	0.4
	<u>1,937,142</u>		<u>1,743,566</u>	

TICKET LOTTERY REVENUE

(dollars in thousands)

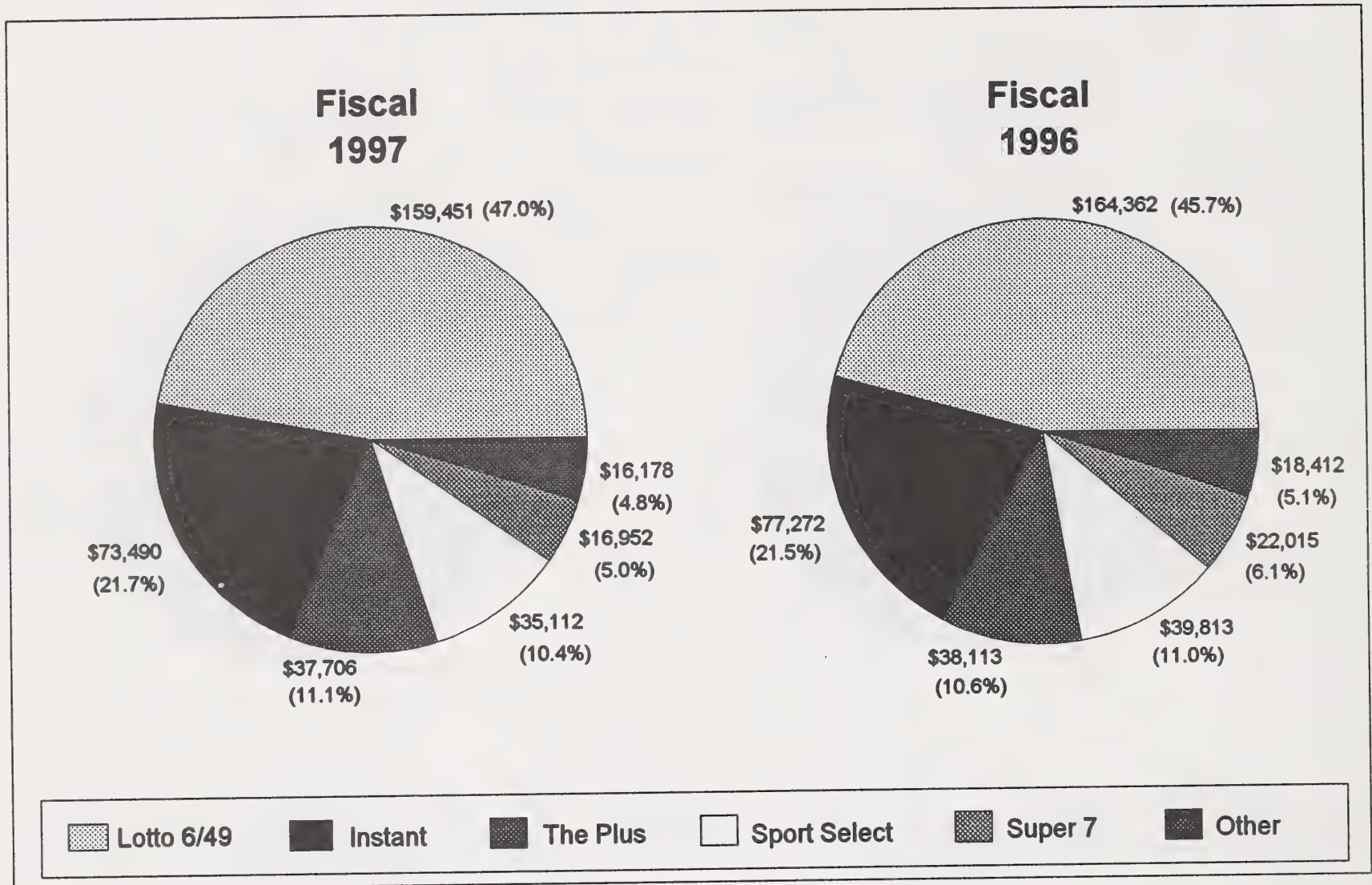


Prizes
 Lottery Fund Revenue
 Retailer Commissions
 Federal Tax Expense

	<u>1997</u>		<u>1996</u>	
	\$	%	\$	%
Prizes	164,728	48.6	176,525	49.0
Lottery Fund Revenue	147,167	43.4	154,672	43.0
Retailer Commissions	19,522	5.8	20,755	5.8
Federal Tax Expense	7,472	2.2	8,035	2.2
	<u>338,889</u>		<u>359,987</u>	

TICKET LOTTERY REVENUE BY TICKET GAME

(dollars in thousands)



	<u>1997</u>		<u>1996</u>	
	\$	%	\$	%
Lotto 6/49	159,451	47.0	164,362	45.7
Instant	73,490	21.7	77,272	21.5
The Plus	37,706	11.1	38,113	10.6
Sport Select	35,112	10.4	39,813	11.0
Super 7	16,952	5.0	22,015	6.1
Other	16,178	4.8	18,412	5.1
	<u>338,889</u>		<u>359,987</u>	

LIQUOR LICENSING HIGHLIGHTS

(dollars in thousands)

LICENSE CLASS	CONSUMER	LICENCES IN EFFECT MARCH 31, 1997	SALES 1997					LICENCES IN EFFECT MARCH 31, 1996	SALES 1996
			SPIRITS	WINE	COOLERS & CIDER	BEER	TOTAL		
A*	Minors Allowed	3,231	\$ 3,133	\$ 3,085	\$ 353	\$ 13,129	\$ 19,700	3,196	\$ 96,180
	Minors Prohibited	1,657	80,927	18,337	5,762	196,237	301,263	1,644	233,185
B	(1)	512	810	211	114	5,093	6,228	486	6,099
C	(2)	785	1,128	978	67	8,865	11,038	799	11,863
D*	(3)	1,338	271,203	110,582	18,571	270,508	670,864	1,259	617,781
E	(4)	20	-	-	-	-	-	17	-
	Duty Free	-	1,569	59	-	-	1,628	-	1,507
	Other Boards	-	234	262	13	193	702	-	745
	Diplomat/Nato	-	120	59	-	2	181	-	176
		<u>7,543</u>	<u>\$ 359,124</u>	<u>\$ 133,573</u>	<u>\$ 24,880</u>	<u>\$ 494,027</u>	<u>\$1,011,604</u>	<u>7,401</u>	<u>\$ 967,536</u>

(1) Convention Centre, Public Conveyance, Racetrack, Recreational Facilities, Sports Stadium and Theatre.

(2) Canteens, Club, Institution, Travelers Lounge.

(3) Retail Liquor Stores, Retail Wine Stores, Off Sales, and Manufacturer's Off Sales.

(4) Breweries, Brew-Pubs, Distilleries and Wine Manufacturers.

* Class D Off Sales dollars are included with Class A licensee sales.

LIQUOR STATEMENT BY PRODUCT TYPE

	1997							1996
	SALES		VOLUMES		GROSS PROFIT			GROSS PROFIT
	DOMESTIC	IMPORT	DOMESTIC	IMPORT	DOMESTIC	IMPORT	TOTAL	TOTAL
	\$ (000)	\$ (000)	HECTOLITRES		\$ (000)	\$ (000)	\$ (000)	\$ (000)
SPIRITS								
Whisky	112,555	24,257	53,410	9,581	66,210	11,711	77,921	80,484
Gin	4,356	2,959	2,104	1,352	2,540	1,620	4,160	4,201
Liqueurs	7,589	40,904	3,511	16,677	4,359	20,559	24,918	26,362
Rum	59,547	7,557	28,073	3,353	34,819	4,151	38,970	38,650
Vodka	72,613	6,526	36,371	3,303	45,251	4,015	49,266	45,467
Others	6,053	14,208	2,993	5,892	3,528	6,349	9,877	11,383
	<u>262,713</u>	<u>96,411</u>	<u>126,462</u>	<u>40,158</u>	<u>156,707</u>	<u>48,405</u>	<u>205,112</u>	<u>206,547</u>
WINE								
Greater than 16% alcohol content	3,583	3,225	4,292	2,290	2,360	1,242	3,602	3,254
Less than or equal to 16% alcohol content	28,344	98,421	41,299	109,698	13,255	34,958	48,213	48,132
	<u>31,927</u>	<u>101,646</u>	<u>45,591</u>	<u>111,988</u>	<u>15,615</u>	<u>36,200</u>	<u>51,815</u>	<u>51,386</u>
COOLERS/ CIDERS								
	<u>19,259</u>	<u>5,621</u>	<u>49,502</u>	<u>11,984</u>	<u>7,411</u>	<u>1,792</u>	<u>9,203</u>	<u>6,896</u>
BEER								
Packaged	373,736	43,613	1,329,661	184,861	118,649	16,406	135,055	144,854
Draft	74,182	2,496	307,166	10,481	27,456	841	28,297	23,049
	<u>447,918</u>	<u>46,109</u>	<u>1,636,827</u>	<u>195,342</u>	<u>146,105</u>	<u>17,247</u>	<u>163,352</u>	<u>167,903</u>
	<u>761,817</u>	<u>249,787</u>	<u>1,858,382</u>	<u>359,472</u>	<u>325,838</u>	<u>103,644</u>	<u>429,482</u>	<u>432,732</u>
BEVERAGE CONTAINER AND RECYCLING COSTS							1,797	552
							<u>427,685</u>	<u>432,180</u>

These totals are net of deposits excluding domestic beer.

FINANCIAL STATEMENTS

AUDITOR'S REPORT

To the Members of the
Alberta Gaming and Liquor Commission

I have audited the balance sheet of the Alberta Gaming and Liquor Commission as at March 31, 1997 and the statements of net income, remittances to the General Revenue Fund, remittances to the Lottery Fund and changes in financial position for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.



FCA
Auditor General

Edmonton, Alberta
June 6, 1997

BALANCE SHEET

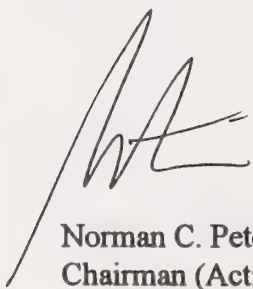
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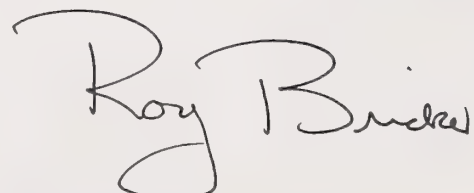
As at March 31, 1997

	March 31, 1997	March 31, 1996
ASSETS		
Current Assets		
Cash and term deposits	\$ 67,252	\$ 38,455
Accounts receivable	19,629	21,956
Prepaid expenses and inventories (Note 4)	5,082	6,237
Current portion of mortgages receivable	-	277
	<u>91,963</u>	<u>66,925</u>
Mortgages Receivable (Note 5)	8,357	8,154
Capital Assets (Note 6)	55,001	58,938
	<u>\$ 155,321</u>	<u>\$ 134,017</u>
LIABILITIES AND APPROPRIATION		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 53,244	\$ 47,004
Due to the Lottery Fund (Note 7)	17,988	12,634
Due to the General Revenue Fund (Note 8)	9,130	1,188
	<u>80,362</u>	<u>60,826</u>
Due to the Lottery Fund (Note 7)	50,510	50,331
Provision for Loss on Leased Properties	8,740	7,813
Pension Liability (Note 9)	1,195	1,534
	<u>60,445</u>	<u>59,678</u>
Appropriation for Capital (Note 10)	138,000	138,000
Remittances in excess of net income remittable to the General Revenue Fund	(123,486)	(124,487)
	<u>14,514</u>	<u>13,513</u>
Net Appropriation for Capital	<u>\$ 155,321</u>	<u>\$ 134,017</u>

The accompanying notes and schedules are part of these financial statements.

APPROVED BY MANAGEMENT:


Norman C. Peterson, CA
Chairman (Acting)


Roy Bricker
Chief Executive Officer (Acting)

STATEMENT OF NET INCOME

(in thousands)

For the year ended March 31, 1997

	Budget 1997 (Note 11)	Actual 1997	Actual 1996
Liquor sales		\$1,011,604	\$ 967,536
Cost of liquor sold		583,919	535,356
Gross profit on liquor sales	\$ 428,000	427,685	432,180
Gross income from video lottery and casino gaming terminal operations (Schedule 1)	439,421	476,785	428,024
Gross income from ticket lottery operations (Schedule 2)	153,079	147,167	154,672
Other income (Note 12)	7,114	12,328	12,341
Grant from the General Revenue Fund (Note 8)	75,633	66,503	28,133
Operating expenses (Note 13)	(75,633)	(66,503)	(79,209)
NET INCOME, for the year	<u>\$1,027,614</u>	<u>\$1,063,965</u>	<u>\$ 976,141</u>

STATEMENT OF REMITTANCES TO THE GENERAL REVENUE FUND

(in thousands)

For the year ended March 31, 1997

	Budget 1997	Actual 1997	Actual 1996
REMITTANCES IN EXCESS OF NET INCOME REMITTABLE TO THE GENERAL REVENUE FUND, beginning of year	\$ (124,487)	\$ (124,487)	\$ (56,519)
NET INCOME, for the year	1,027,614	1,063,965	976,141
REMITTABLE TO THE LOTTERY FUND	(592,500)	(623,952)	(554,881)
REMITTANCES TO THE GENERAL REVENUE FUND	(425,000)	(439,012)	(489,228)
REMITTANCES IN EXCESS OF NET INCOME REMITTABLE TO THE GENERAL REVENUE FUND, end of year	<u>\$ (114,373)</u>	<u>\$ (123,486)</u>	<u>\$ (124,487)</u>

STATEMENT OF REMITTANCES TO THE LOTTERY FUND

(in thousands)

For the year ended March 31, 1997

	Budget 1997	Actual 1997	Actual 1996
DUE TO THE LOTTERY FUND, beginning of year	\$ 62,965	\$ 62,965	\$ 58,467
REMITTABLE TO THE LOTTERY FUND	592,500	623,952	554,881
REMITTANCES TO THE LOTTERY FUND	(592,500)	(618,419)	(550,383)
DUE TO THE LOTTERY FUND, end of year	<u>\$ 62,965</u>	<u>\$ 68,498</u>	<u>\$ 62,965</u>

STATEMENT OF CHANGES IN FINANCIAL POSITION

(in thousands)

For the year ended March 31, 1997

	Actual 1997	Actual 1996
CASH FROM OPERATIONS		
Net income for the year	\$1,063,965	\$ 976,141
Increase in provision for loss on leased properties	927	6,313
Amortization	20,096	17,025
Loss on disposal of capital assets	127	154
Increase in amount due to the General Revenue Fund	7,942	1,188
Decrease in pension liability	(339)	(445)
Net change in non-cash working capital balances	<u>9,722</u>	<u>(4,452)</u>
	1,102,440	995,924
REMITTANCES TO THE LOTTERY FUND	(618,419)	(550,383)
REMITTANCES TO THE GENERAL REVENUE FUND	(439,012)	(489,228)
	<u>45,009</u>	<u>(43,687)</u>
CASH USED FOR INVESTMENT		
Purchase of capital assets	(17,121)	(6,880)
Proceeds on disposal of capital assets	835	732
Reduction of mortgages receivable	74	277
	<u>(16,212)</u>	<u>(5,871)</u>
INCREASE (DECREASE) IN CASH AND TERM DEPOSITS	28,797	(49,558)
CASH AND TERM DEPOSITS, beginning of year	38,455	88,013
CASH AND TERM DEPOSITS, end of year	<u>\$ 67,252</u>	<u>\$ 38,455</u>

NOTES TO THE FINANCIAL STATEMENTS

(tabular amounts in thousands)

March 31, 1997

NOTE 1 AUTHORITY AND PURPOSE

The Alberta Gaming and Liquor Commission (the Commission) operates under the authority of the Gaming and Liquor Act, Chapter G-0.5, Statutes of Alberta 1996. The Act was proclaimed in force July 15, 1996.

The Commission conducts and manages provincial lotteries, carries out functions respecting gaming under the Criminal Code of Canada, and controls, in accordance with legislation, the manufacture, importation, sale and purchase of liquor for the Government of Alberta.

The net proceeds arising from the conduct of authorized ticket lottery, video lottery and casino gaming operations in Alberta are remittable to the Lottery Fund. The net proceeds of liquor operations and other income are remittable to the General Revenue Fund.

The Commission is a Crown agent of the Government of Alberta and as such, has a tax-exempt status.

NOTE 2 BASIS OF PRESENTATION

Effective July 15, 1996, the operations, assets and liabilities of the Alberta Liquor Control Board, Alberta Lotteries, Alberta Lotteries and Gaming, Gaming Control Branch and the Alberta Gaming Commission were merged into the Alberta Gaming and Liquor Commission.

The nature of the business combination is such that it represents a continuation of the previous entities and, accordingly, has been accounted for by the continuity of interest method. Under this method, the financial statements reflect the combined historical carrying values of the assets, liabilities, net assets and the historical operating results of all the combining entities, as if they had been combined since their inception.

The assets and liabilities, at book values, at the date of combination are as follows:

Entity	Assets	Liabilities	Net Assets
Alberta Lotteries	\$ 101,656	\$ 101,656	\$ -
Alberta Liquor Control Board	70,606	58,931	11,675
	<u>\$ 172,262</u>	<u>\$ 160,587</u>	<u>\$ 11,675</u>

NOTES TO THE FINANCIAL STATEMENTS

(tabular amounts in thousands)

March 31, 1997

NOTE 2 (Con't)

Revenue, expenses and net income of the combined entities from April 1, 1996 to July 15, 1996 are as follows:

Entity	Revenue	Expenses	Net Income
Alberta Lotteries	\$ 634,575	\$ 459,061	\$ 175,514
Alberta Liquor Control Board	297,809	170,197	127,612
	<u>\$ 932,384</u>	<u>\$ 629,258</u>	<u>\$ 303,126</u>

The amounts for Alberta Lotteries and Gaming, Gaming Control Branch and Alberta Gaming Commission are immaterial and are included in the above figures.

NOTE 3

SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

Joint Venture

Alberta's share of the operations of the Western Canada Lottery Corporation is accounted for as a joint venture.

Inventories

Supplies inventories are valued at weighted average cost which is not in excess of net replacement value.

Inventory held on behalf of liquor suppliers or agents, and related duties and taxes, are not recorded in the financial statements.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is calculated on the straight-line method at annual rates which will reduce the original cost to estimated residual value over the useful lives of the assets, as follows:

Buildings and Leasehold Improvements	2.5% or 10% (or lease term)
Gaming Systems and Equipment	20% or 33.3%
Furniture and Equipment	10% or 20%
Retailer Fixtures and Signage	20%
Computer Software	33.3%
Vehicles	20% or 33.3%

NOTES TO THE FINANCIAL STATEMENTS

(tabular amounts in thousands)

March 31, 1997

NOTE 3 (Con't)

Capital assets held for sale are stated at estimated net realizable value.

Write-downs of capital assets to estimated net recoverable amount or to net realizable value are included in accumulated amortization.

Pension Costs

Pension costs comprise: the cost of pension benefits earned by employees during the year; interest on the Commission's share of the unfunded pension liability; the amortization of deferred adjustments over the expected average remaining service life of employees which relate to the long term; realized gains and losses; and the effect of the change in the ratio used to allocate the plan's total unfunded liability to participating entities. The net expense or recovery is included as part of salaries and benefits in operating expenses.

Actuarial valuations were determined using the projected benefit method prorated on service. Assumptions used in the valuations are based on each Pension Board's best estimate of future events. Each plan's future experience will inevitably vary, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations. Gains and losses which relate to the long-term are amortized over the expected average remaining service life of the employee group. Gains or losses for which there is a reasonable assurance regarding their measurement and realization are recognized as income immediately.

Ticket Lottery Revenue

Ticket lottery revenue is recorded as of the date of the draw with the exception of instant game revenue, which is recognized at the time of sale to the retailer.

NOTE 4

PREPAID EXPENSES AND INVENTORIES

	<u>March 31, 1997</u>	<u>March 31, 1996</u>
Prepaid Expenses	\$ 3,470	\$ 4,625
VLT Parts	1,240	1,118
Supplies	372	416
Product	-	78
	<u>\$ 5,082</u>	<u>\$ 6,237</u>

NOTES TO THE FINANCIAL STATEMENTS

(tabular amounts in thousands)

March 31, 1997

NOTE 5 MORTGAGES RECEIVABLE

During fiscal 1993, the Alberta Liquor Control Board sold the Calgary warehouse for a total consideration of \$9,000,000. The Board entered into a first mortgage agreement with the purchaser in the amount of \$8,490,000 and a second mortgage agreement in the amount of \$500,000. Both mortgages are secured by a first charge on the property and chattels.

As at March 31, 1997, the mortgages in the amount of \$8,357,000 are in default due to missed mortgage payments and non-payment of property taxes. As a consequence of the default, the mortgages are immediately repayable in full. The Commission has initiated foreclosure proceedings. The fair market value of the security is in excess of the mortgages and no loss is anticipated.

NOTE 6 CAPITAL ASSETS

	March 31, 1997			March 31, 1996
	<u>COST</u>	<u>ACCUMULATED AMORTIZATION</u>	<u>NET BOOK VALUE</u>	<u>NET BOOK VALUE</u>
Land	\$ 4,113	\$ -	\$ 4,113	\$ 4,113
Buildings and Leasehold Improvements	50,887	36,637	14,250	14,990
Gaming Systems and Equipment	91,960	61,100	30,860	34,883
Furniture and Equipment	27,258	24,241	3,017	1,965
Retailer Fixtures and Signage	9,120	7,270	1,850	1,642
Computer Software	3,793	3,692	101	141
Vehicles	671	637	34	142
Other	1,958	1,182	776	1,062
	<u>\$ 189,760</u>	<u>\$134,759</u>	<u>\$ 55,001</u>	<u>\$ 58,938</u>

NOTES TO THE FINANCIAL STATEMENTS

(tabular amounts in thousands)

March 31, 1997

NOTE 7 DUE TO THE LOTTERY FUND

This amount represents the portion of the revenues from lottery operations which has not been remitted to the Lottery Fund. The non-current portion represents the amount held back for capital assets and working capital requirements of video lottery, casino gaming and ticket lottery operations.

NOTE 8 DUE TO THE GENERAL REVENUE FUND

A \$75,633,000 advance from the General Revenue Fund, Department of Economic Development and Tourism was received during 1997 and was used to fund operating expenses. Actual operating expenses totalled \$66,503,000. The remaining balance of \$9,130,000 is repayable to the General Revenue Fund.

In 1996, expenses of liquor operations were paid from liquor revenues, and expenses of ticket lottery operations were paid from ticket lottery revenues. A \$29,321,000 advance from the General Revenue Fund, Department of Transportation and Utilities was received during 1996 and was used to fund expenses of video lottery operations and general administration expenses. Actual operating expenses funded from grant monies totalled \$28,133,000. The remaining balance of \$1,188,000 was repaid to the General Revenue Fund.

Expenses of liquor operations and ticket lottery expenses other than prizes, retailer commissions, payments to Government of Canada and federal tax expense, were provided for in the 1997 advance from the General Revenue Fund.

NOTE 9 PENSION LIABILITY

The Commission participates with other employers in the Public Service Pension Plan and the Management Employees Pension Plan. These plans provide pensions for the Commission's employees based on years of service and earnings.

The Commission had an unfunded pension liability for each plan as at March 31, which was as follows:

	<u>1997</u>	<u>1996</u>
Public Service Pension Plan	\$ 548	\$ 814
Management Employees Pension Plan	<u>647</u>	<u>720</u>
	<u>\$ 1,195</u>	<u>\$ 1,534</u>

The total unfunded pension liability for each plan as at March 31, 1997 was determined by actuarial valuations as at December 31, 1995 for the Public Service Pension Plan and as at December 31, 1994 for the Management Employees Pension Plan, both extrapolated to March 31, 1997. The 1996 comparatives were determined using the same valuation for the Management Employees Pension Plan, extrapolated to March 31, 1996 and using an actuarial valuation at December 31, 1993 for the Public Service Pension Plan, extrapolated to March 31, 1996.

NOTES TO THE FINANCIAL STATEMENTS

(tabular amounts in thousands)

March 31, 1997

NOTE 9
(Con't) The Public Sector Pension Plans Act specifies the basis to determine the amount of the total unfunded liability for each plan which will be funded by employers. The Commission's portion of those employers' liabilities was based on the Commission's percentage of the total pensionable payroll of all employers in each Plan.

NOTE 10 **APPROPRIATION FOR CAPITAL**

Under the Gaming and Liquor Act, Transitional Regulation, the Commission must maintain a capital account until March 31, 1998, to provide funds for acquiring land and buildings and maintaining other assets necessary to the liquor operations of the Commission.

NOTE 11 **BUDGET**

The Commission, in its annual business plan, includes its annual budget on a summarized basis. The summarized budget receives approval by the Minister responsible for the Alberta Gaming and Liquor Commission and becomes part of the estimates of the Government. The Government Estimates are approved by the Legislature.

NOTE 12 **OTHER INCOME**

	Actual 1997	Actual 1996
Licences and permits	\$ 6,911	\$ 7,088
Interest revenue	1,604	1,771
Miscellaneous	1,550	1,440
Liquor levies	1,199	643
Premises rental revenue	566	962
Retailer service fees	495	475
Fines and violations	130	116
Loss on disposals of capital assets	<u>(127)</u>	<u>(154)</u>
	\$ 12,328	\$ 12,341

NOTES TO THE FINANCIAL STATEMENTS

(tabular amounts in thousands)

March 31, 1997

NOTE 13 OPERATING EXPENSES

	Actual 1997	Actual 1996
Amortization	\$ 20,096	\$ 17,015
Salaries and benefits	17,020	16,937
Communications	5,338	5,757
Ticket printing	4,631	4,711
Property (a)	3,944	10,642
Equipment and vehicles	3,409	3,656
Media and media production	2,937	6,754
Fees and services	2,388	2,635
Stationery and supplies	1,380	1,545
Pari mutuel tax rebates	1,272	1,663
Insurance and bank charges	1,031	793
Travel and training	896	1,134
Miscellaneous	799	617
Data processing	725	663
Freight and product delivery	719	876
Presentations and publications	509	775
Retailer relations	69	551
Product expense	58	47
Promotions	11	495
Overhead and other	(729)	(911)
Reorganization costs	-	2,854
	<u>\$ 66,503</u>	<u>\$ 79,209</u>

- (a) Property expense includes a provision for loss of approximately \$1.7 million (1996 \$7.0 million) for estimated costs of lease obligations in excess of estimated sublease revenues.

NOTES TO THE FINANCIAL STATEMENTS

(tabular amounts in thousands)

March 31, 1997

NOTE 14 CONTINGENT LIABILITY - LEASE COMMITMENTS

The Commission has a number of properties, primarily former retail liquor stores, that operate under lease arrangements with terms ranging from one to thirty-five years. Most of these properties have been subleased to third parties. The Commission remains liable for the leases should the sub-lessor default on their obligations to the Commission. The approximate rental under these lease arrangements is summarized as follows:

Fiscal	1997-98	\$ 3,009
	1998-99	2,783
	1999-2000	2,500
	2000-2001	2,293
	2001-2002	1,376
	Balance to expiry	14,318
		<u>\$ 26,279</u>

Estimated future revenues to be derived from subleases amount to \$17,539,000 at March 31, 1997. Provision for loss has been made (see Note 13) where the payments to be received on the sub-leases are less than the lease payments to be made.

NOTES TO THE FINANCIAL STATEMENTS

(tabular amounts in thousands)

March 31, 1997

NOTE 15 SALARIES AND BENEFITS

	1997			1996	
	Average Number of Employees	Salary	Benefits (a)	Total	
					Average Number of Employees
					Total
Senior Officers					
Chairman and CEO (b)	1	\$ 108	\$ 19	\$ 127	1
Chairman of Alberta Lotteries	-	-	-	-	1
Deputy Chairman	-	-	-	-	1
Board Member (c)	2	-	20	20	2
General Manager	-	-	-	-	-
Executive Directors					
Corporate Services (b)	1	103	7	110	1
Licensing (b)	1	86	16	102	1
Lottery Services	1	72	13	85	1
Other Management Staff					
(Average 1997-\$62,510)					
(Average 1996-\$61,620)	49	2,443	620	3,063	50
Other Full-Time Staff					
(Union and Excluded)					
(Average 1997-\$39,618)					
(Average 1996-\$38,175)	267	9,220	1,358	10,578	308
Part-Time and Casual Staff					
Liquor Licensing Appeal Council (c)	3	565	41	606	-
		4	-	4	4
		<u>\$12,601</u>	<u>\$ 2,094</u>	<u>14,695</u>	<u>15,902</u>
Alberta's portion of salaries and benefits paid by the Western Canada Lottery Corporation				2,253	1,081
Benefits paid for long term disability employees				113	149
Accrued vacation pay adjustment				211	71
Unfunded pension liability adjustment				(339)	(445)
Liquor Licensing Appeal Council, included in external services expense				(4)	(15)
Part-time Board member costs, included in miscellaneous expense				(20)	(27)
Motor vehicle benefit, included in equipment and vehicles expense				(3)	(2)
Relocation expenses and other employment related benefits				114	223
Salaries and Benefits (Note 13)				<u>\$ 17,020</u>	<u>\$ 16,937</u>

- (a) Benefits include the Commission's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability, professional memberships, tuition and automobile benefits.
- (b) Effective April 22, 1997, the Chairman and Chief Executive Officer was appointed Deputy Minister of Energy. The Executive Director of Corporate Services and Chief Financial Officer, will serve as the Commission's Acting Chairman. The Executive Director of Licensing, will serve as Acting Chief Executive Officer.
- (c) Part-time.

NOTES TO THE FINANCIAL STATEMENTS

(tabular amounts in thousands)

March 31, 1997

NOTE 16 SUBSEQUENT EVENT

On October 19, 1995, the Government of the Province of Alberta announced their intention to exercise an option to withdraw from the Western Canada Lottery Corporation by giving one year's prior written notice to the Provinces of Manitoba and Saskatchewan and to the Corporation to terminate its agreement. The issues that led Alberta to give their notice to withdraw from the Western Canada Lottery Corporation have now been resolved to Alberta's satisfaction and, accordingly, the Province of Alberta has, subsequent to the year end, rescinded their notice to withdraw from the Western Canada Lottery Corporation.

NOTE 17 JOINT VENTURE - TICKET LOTTERY OPERATIONS

The joint venture conducted by Western Canada Lottery Corporation was accounted for using the proportionate consolidation method. The Commission has included in its accounts the following aggregate amounts:

	As at March 31,	
	1997	1996
Balance Sheet		
Current assets	\$28,022	\$23,034
Capital assets	<u>6,940</u>	<u>10,978</u>
	<u>\$34,962</u>	<u>\$34,012</u>
Current liabilities	\$14,685	\$15,909
Investment in joint venture	<u>20,277</u>	<u>18,103</u>
	<u>\$34,962</u>	<u>\$34,012</u>
	Year ended March 31,	
	1997	1996
Statement of Net Income		
Gross income	\$147,167	\$154,672
Expenses	<u>(20,992)</u>	<u>(24,961)</u>
Net income	<u>\$126,175</u>	<u>\$129,711</u>
Statement of Changes in Financial Position		
Cash generated from operating activities	<u>\$132,083</u>	<u>\$130,782</u>
Cash used by investing activities	<u>\$ 747</u>	<u>\$ 965</u>

VIDEO LOTTERY AND CASINO GAMING TERMINAL OPERATIONS SCHEDULE 1

(in thousands)

For the year ended March 31, 1997

	Actual 1997	Actual 1996
REVENUE		
Video lottery terminals	\$1,816,050	\$1,736,554
Casino gaming and Electronic Racing terminals	121,092	7,012
	<u>1,937,142</u>	<u>1,743,566</u>
PRIZES		
Video lottery terminals	1,267,256	1,223,705
Casino gaming and Electronic Racing terminals	98,723	5,347
	<u>1,365,979</u>	<u>1,229,052</u>
GROSS INCOME FROM VIDEO LOTTERY AND CASINO GAMING TERMINAL OPERATIONS, before the following	571,163	514,514
RETAILER COMMISSIONS	(87,305)	(80,241)
FEDERAL TAX EXPENSE (a)	(7,073)	(6,249)
	<u> </u>	<u> </u>
GROSS INCOME FROM VIDEO LOTTERY AND CASINO GAMING TERMINAL OPERATIONS	<u>\$ 476,785</u>	<u>\$ 428,024</u>

- (a) Taxes are paid to the Government of Canada in lieu of the Goods and Services Tax (GST) on ticket lottery, video lottery and casino gaming terminal sales based on a prescribed formula. This tax is in addition to the GST paid on the purchase of goods and services for which credit is denied under the formula.

TICKET LOTTERY OPERATIONS

SCHEDULE 2

(in thousands)

For the year ended March 31, 1997

	Actual 1997	Actual 1996
REVENUE		
Lotto 6/49	\$ 159,451	\$ 164,362
Instant	73,490	77,272
The Plus	37,706	38,113
Sport Select	35,112	39,813
Super 7	16,952	22,015
Pick 3	5,294	5,018
Pogo	5,047	5,607
Extra	4,329	5,467
Special Event	1,508	2,320
	338,889	359,987
PRIZES	164,728	176,525
GROSS INCOME FROM TICKET LOTTERY OPERATIONS, before the following	174,161	183,462
RETAILER COMMISSIONS	(19,522)	(20,755)
PAYMENTS TO GOVERNMENT OF CANADA (a)	(4,956)	(5,067)
FEDERAL TAX EXPENSE (b)	(2,516)	(2,968)
GROSS INCOME FROM TICKET LOTTERY OPERATIONS	<u>\$ 147,167</u>	<u>\$ 154,672</u>

- (a) This payment represents the Province of Alberta's share of payments to the Government of Canada as a result of an agreement between the provincial governments and the federal government on the withdrawal of the federal government from the lottery field. The payment is made by the Western Canada Lottery Corporation on behalf of Alberta, and is based on current population statistics and its share of ticket lottery sales.
- (b) Taxes are paid to the Government of Canada in lieu of the Goods and Services Tax (GST) on ticket lottery, video lottery and casino gaming terminal sales based on a prescribed formula. This tax is in addition to the GST paid on the purchase of goods and services for which credit is denied under the formula.

LOTTERY FUND COMMITMENTS 1996/97

Alberta's lottery profits are deposited into the Lottery Fund. Lottery Fund expenditures are approved annually by the Provincial Legislature.

This fund is used to support over 3,000 worthwhile community initiatives each year. Hospital equipment purchases, health and wellness programs, education, and funds that supplement the provincial budget are just some of the ways lottery proceeds are used.

The following is the list of Lottery Fund expenditure commitments for the fiscal year 1996/97.

Advanced Medical Equipment Purchases	\$ 7,266,000
Agricultural Societies and Exhibitions	9,580,000
Agricultural Initiatives	2,950,000
Alberta Foundation for the Arts	16,104,000
Alberta Historical Resources Foundation	5,913,000
Alberta Human Rights, Citizenship and Multiculturalism Education Fund	1,062,000
Alberta Sport, Recreation, Parks and Wildlife Foundation	14,885,000
Calgary Exhibition and Stampede	5,000,000
Community Facility Enhancement Program III	35,000,000
Edmonton Northlands	5,000,000
General Revenue Fund	456,200,000
New Initiatives	9,000,000
Science Alberta Foundation	750,000
Services for Problem Gamblers	1,871,000
Special Events/Projects - Recreation	1,359,000
Special Projects - Health	960,000
The Wild Rose Foundation	<u>6,600,000</u>
	<u>\$ 579,500,000</u>

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